

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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CEA-01 SSO-00 INRE-00 NSCE-00 USIE-00 /087 W

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 1514

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PASS TREASURY FOR BOWDEN FROM H. MCFADDEN

E.O. 11652: N/A

TAGS: USSAEC, SA, US

SUBJECT: MEETING JUNE 5 WITH SAUDI JEC COORDINATOR DR. AL TURKI

BEGIN SUMMARY: TREASURY REPS AND EMBASSY LIAISON OFFICER MET DR. AL-TURKI JUNE 5 TO DISCUSS VARIETY OF MATTERS RELATING TO THE JOINT ECONOMIC COMMISSION. INCLUDED WERE PRE-TCA EXPENSES, ADMINISTRATIVE BUDGET FOR FISCAL YEAR 1976, FURTHER DEPOSITS TO THE TRUST ACCOUNT, FUNDING OF TECHNICIAN HOUSING, FINANCIAL STATEMENTS, TRANSMITTAL OF PARSKY TO AL-TURKI LETTER CONTAINING STATEMENT OF OUR UNDERSTANDING CONCERNING EXPENDITURE OF SAG FUNDS FROM THE TRUST ACCOUNT FOR ADMINISTRATIVE FACILITIES, AND OTHER MATTERS. END SUMMARY

1. TREASURY REPS MCFADDEN, HAPPEL AND VISNICK AND EMBASSY LIAISON OFFICER MCARTHUR MET JUNE 5 WITH DR. MANSOUR AL TURKI, SAUDI JOINT ECONOMIC COMMISSION COORDINATOR. TEAM SUBMITTED TO AL TURKI THE LETTER ADDRESSED TO HIM FROM ASSISTANT SECRETARY PARSKY DESCRIBING THE NECESSARY STEPS WE ARE TAKING TO ESTABLISH

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THE U.S. REPRESENTATION TO THE JOINT COMMISSION AND TO

PROVIDE OTHER NECESSARY FACILITIES IN SAUDI ARABIA TO SUPPORT COMMISSION PROGRAMS. THE PACKAGE ALSO CONTAINED THE BUDGET FOR ADMINISTRATIVE EXPENSES OF THE USREP OFFICE AND OTHER NECESSARY FACILITIES FOR THE PERIOD FROM APRIL 1, 1975 TO MARCH 31, 1976. WE ALSO SUBMITTED A REVISED BUDGET FOR ADMINISTRATIVE AND SUPPORT EXPENSES OF THE USREP OFFICE FOR U.S. FISCAL YEAR 1976. ALTHOUGH WE DID NOT REQUEST AN EXPLICIT RESPONSE TO THE LETTER, IN PARTICULAR THE PASSAGES INDICATING THAT WE ARE PROCEEDING TO EXPEND TRUST ACCOUNT MONIES IN ACCORDANCE WITH OUR PRESENTATION TO DR. SOLAIM AND MINISTER ABA AL-KHAIL IN APRIL, WE EMPHASIZED THE IMPORTANCE OF THE CONTENTS OF THE LETTER.

2. WE PRESENTED THE BOWDEN/AL-TURKI LETTER ON PRE-TCA EXPENSES AND REQUESTED AN EARLY RESPONSE FROM THE SAG.

3. WE REMINDED DR. AL-TURKI THAT THE \$8.7 MILLION BUDGET REQUEST SUBMITTED TO MINISTER ABA AL-KHAIL IN APRIL INCLUDED FIVE MILLION DOLLARS AS OUR ESTIMATE OF EXPECTED PROJECT EXPENSES THROUGH NEXT MARCH 31. WE STATED THAT SINCE THE REQUEST WAS MADE, SEVERAL PROJECTS, PARTICULARLY THE STATISTICS AND VOCATIONAL TRAINING PROGRAMS HAVE COME MUCH CLOSER TO FINALIZATION. DETAILED COST ESTIMATES HAVE BEGUN TO BE DEVELOPED, AND THESE INDICATE THAT THE ESTIMATE OF FIVE MILLION DOLLARS WILL BE TOO LOW. WE STATED THAT WE COULD PROVIDE A MORE CAREFUL ESTIMATE WITHIN THE NEXT NINE DAYS. WE SUGGESTED THEREFORE THAT THE SAG MIGHT WANT TO CONSIDER MAKING A SINGLE DEPOSIT TO THE TRUST ACCOUNT AT THE BEGINNING OF THE NEW FISCAL YEAR TO COVER THESE EXPENSES RATHER THAN SEVERAL DEPOSITS DURING THE FISCAL YEAR AS INDIVIDUAL PROJECTS ARE APPROVED. WE EMPHASIZED THAT THIS POINT WAS RAISED ONLY IN AN EFFORT TO DISCERN WHAT ARRANGEMENT WAS MOST CONVENIENT TO THE SAG AND THAT THE USG WAS ESSENTIALLY INDIFFERENT BETWEEN THE TWO APPROACHES. WE DID HOWEVER NOTE THAT A LARGE DEPOSIT MIGHT SPEED UP THE PROCESS OF PROJECT APPROVAL AND IMPLEMENTATION.

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DR. AL TURKI REPLIED BY ASKING FOR OUR ESTIMATE OF TOTAL PROJECT EXPENSES FOR FISCAL YEAR 1976. WE RESPONDED THAT OUR VERY ROUGH GUESS WAS TWENTY MILLION DOLLARS BUT THAT WE COULD PROVIDE A CAREFUL ESTIMATE AFTER CONSULTATION WITH WASHINGTON. AL TURKI SUGGESTED THAT WE POSTPONE DISCUSSION OF THIS POINT UNTIL WE HAVE OUR COST ESTIMATE.

WE STATED OUR INTENTION TO OBTAIN THIS FOR OUR
NEXT MEETING WITH HIM ON JUNE 14. (FYI: AL
TURKI WILL BE IN EGYPT UNTIL THE END OF NEXT WEEK
IN CONNECTION WITH THE ARAB-EUROPEAN DIALOGUE.
END FYI.)

WE REQUEST THAT YOU POLL ACTION AGENCIES AND PRO-
VIDE ESTIMATES OF TOTAL PROJECT EXPENSES FOR
FISCAL YEAR EXCEPT FOR THE LABOR VOCATIONAL TRAIN-
ING PROJECT. MCGUERTY TEAM HAS BEST ESTIMATE OF
FISCAL YEAR 1976 PROJECT COSTS FOR THIS PROJECT.
WHERE POSSIBLE PLEASE INDICATE FIRMNESS OF ESTI-
MATES. WE NEED A RESPONSE PRIOR TO JUNE 14 MEETING
WITH AL TURKI.

4. WE TOLD AL TURKI THAT WE WOULD LIKE TO DISCUSS
WITH HIM IN DETAIL AT OUR NEXT MEETING THE IMPOR-
TANT ISSUE OF ACQUISITION OF HOUSING FOR USG
TECHNICIANS WORKING ON COMMISSION PROJECTS IN
SAUDI ARABIA. WE SUMMARIZED PROBLEM SAYING THAT
ON ONE HAND A SUBSTANTIAL PERIOD OF TIME IS RE-
QUIRED TO FIND ADEQUATE HOUSING AND IT IS ANTICI-
PATED THAT FIFTY OR MORE USG EMPLOYEES MAY BE IN
SAUDI ARABIA WITHIN SIX MONTHS PROVIDING ASSISTANCE
ON PROJECTS NOW BEING DEVELOPED BUT NOT YET FINALLY
APPROVED. ON OTHER HAND, WE HAD CONTEMPLATED A
PROCEDURE OF FUNDING AND ACQUIRING HOUSING AFTER
INDIVIDUAL PROJECTS WERE FINALIZED. NOW CLEAR
TO US THIS PROCEDURE WILL UNNECESSARILY DELAY
PROJECTS. WE TOLD AL TURKI WE
WOULD LIKE TO DISCUSS A PROCEDURE WHICH WOULD
PERMIT US, WHERE MUTUALLY AGREED, TO ACQUIRE HOUSING
FOR TECHNICIANS BEFORE PROJECTS ARE FINALLY AP-
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PROVED, AND SAID WE WOULD PROVIDE A ROUGH ESTI-
MATE OF OUR IMMEDIATE HOUSING REQUIREMENTS.

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INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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5. WE REQUEST WASHINGTON APPROVAL TO SEEK AN IN PRINCIPLE AGREEMENT FROM SAG THAT THEY WILL FUND AND WE MAY ACQUIRE HOUSING FOR TECHNICIANS COMING TO SAUDI ARABIA TO WORK ON PROJECTS BEFORE THOSE PROJECTS ARE FINALIZED AFTER EXPLICIT SAG APPROVAL. WE ALSO REQUEST WASHINGTON APPROVAL TO NEGOTIATE WITH SAG FINANCIAL ARRANGEMENTS TO EFFECTUATE THIS PLAN. WE WOULD PROPOSE THAT IF SAG DESIRES TO MAKE LARGE BEGINNING FISCAL YEAR DEPOSIT (PARA 3 ABOVE) HOUSING BE FUNDED OUT OF THIS. OTHERWISE, WE WOULD REQUEST A SEPARATE DEPOSIT TO FUND THESE HOUSING NEEDS. FALLBACK POSITION WOULD BE SAG FUNDING OF INDIVIDUAL LEASES.

6. IN ORDER TO PRESENT ABOVE PROPOSAL TO SAG WE NEED WASHINGTON BEST ESTIMATE OF HOUSING NEEDS FOR USG EMPLOYEES IN SAUDI ARABIA INCLUDING ETA AND LOCATION, CONTINUING AS FAR INTO FUTURE AS POSSIBLE. INFORMATION NEEDED FOR JUNE 14 MEETING WITH AL TURKI. FOR PLANNING PURPOSES IT IS ALSO NECESSARY TO HAVE COMPLETE INFORMATION ON HOUSING NEEDS FOR JECOR PERMANENT STAFF SOONEST.

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7. OUR GROWING HOUSING REQUIREMENTS AND CONDITIONS OF LOCAL MARKET SUGGEST IT WILL BE NECESSARY BOTH TO PROCURE SOME HOUSING BEFORE IT CAN BE UTILIZED BY USG EMPLOYEES AND SOME WHILE IN CONSTRUCTION STAGE WITH COMPLETION DATES UNDERTAIN. THIS SUGGESTS PROBABLE NEED TO ENGAGE IN SUBSTANTIAL PROGRAM OF PROPERTY MANAGEMENT INCLUDING SUBLETTING.

8. WE RAISED WITH DR. AL TURKI THE SUGGESTION WHICH DR. SOLAIM HAD MADE IN APRIL THAT THE SAG PROVIDE US WITH A SAG OFFICIAL WHO WOULD ACT AS AN UNOFFICIAL ADVISOR ON THE PROCUREMENT OF REAL ESTATE. HE AGREED WITH THIS SUGGESTION AND INDICATED THAT HE WOULD FIND AN ENGLISH SPEAKING SAUDI IN THE STATE REAL ESTATE DEPARTMENT TO ASSIST US IN THE VERY NEAR FUTURE.

9. PASS JORDAN: WE NOTED THAT THE TCA IMPLEMENTING PROCEDURES MEMORANDUM SET OUT THE GENERAL OUTLINES OF THE INVESTMENT POLICY WHICH TREASURY WILL FOLLOW WITH RESPECT TO TRUST ACCOUNT MONES, AND THAT IN AN APRIL MEETING BETWEEN TREASURY AND EMBASSY OFFICIALS AND MINISTER ABA AL KHAIL THE MINISTER STATED THAT SAMA WOULD BE RESPONSIBLE FOR THE TECHNICAL ASPECTS OF THIS INVESTMENT POLICY FOR THE SAG. HE ALSO STATED THAT HE WOULD DISCUSS WITH SAMA OFFICIALS WHO THE APPROPRIATE CONTACT WOULD BE FOR US. AFTER REVIEWING THIS BACKGROUND WE TOLD AL TURKI THAT WE WOULD BE MOST WILLING TO HAVE VISNICK TRAVEL TO JIDDA TO MEET WITH SAMA DURING HIS STAY IN SAUDI ARABIA. AL TURKI MADE A COMMENT INDICATING THAT HE HAD LITTLE INTEREST IN THE TECHNICAL ASPECTS OF THIS POLICY SINCE IT INVOLVED THE INVESTMENT OF SUCH A SMALL AMOUNT OF MONEY. THIS TENDS TO CONFIRM THAT THE SAG IS NOT REALLY CONCERNED WITH HOW THE MONEY IS INVESTED. HOWEVER WE BELIEVE THAT WE SHOULD EXPLICITLY INFORM THE SAG OF THE PROCEDURES WHICH WE ARE FOLLOWING TO AVOID THE POSSIBILITY OF CRITICISM OF THAT POLICY AT A LATER DATE. ACCORDINGLY WE PROPOSE TO PREPARE A WRITTEN STATEMENT AND PROPOSAL UPON OUR RETURN LIMITED OFFICIAL USE

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TO WASHINGTON TO BE TRANSMITTED TO AL TURKI WHICH WILL DETAIL THE INVESTMENTS TO DATE AND THE PROCEDURES WHICH WE INTEND TO FOLLOW IN THE FUTURE.

10. WE GAVE AL TURKI A SAMPLE ACCOUNTING STATEMENT RELATING TO THE TRUST ACCOUNT. THIS CONTAINED ONLY PRELIMINARY FIGURES AND WAS ONLY INTENDED TO SHOW TO THE SAG THE TYPE OF REPORTING THEY CAN EXPECT EVERY SIX MONTHS BEGINNING WITH THE FIRST REPORT SHOWING THE STATUS OF THE ACCOUNT AS OF SEPTEMBER 30.

11. WE ASKED AL TURKI ABOUT THE ESTABLISHMENT OF A NEW BUREAU OF COORDINATION FOR ECONOMIC COOPERATION WITH THE UNITED STATES, REFTELS JIDDA 3601 AND 3620.

HE REPORTED THAT THERE HAS BEEN NO CHANGE IN THE ORGANIZATION OF THE SAG FOR JOINT ECONOMIC COMMISSION ACTIVITIES. PARENTHETICALLY HE COMPLAINED ABOUT THE LACK OF STAFF SUPPORT BUT INDICATED THAT HE EXPECTED UP TO THREE NEW EMPLOYEES TO ASSIST HIM IN THE NEAR FUTURE.
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